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the AGRICULTURAL OUTLOOK DIGEST

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BAE economists this month took a second look at the outlook for agriculture in 1949. They concluded that, barring unexpected changes in the international situation or in business and consumer anticipations:

1. Demand for farm products is likely to continue strong through 1949, but at a somewhat lower level than in 1948.
2. Prices received by farmers and cash receipts from farm marketings may average about 10 percent below the 1948 record.
3. Farmers' production costs are likely to be slightly smaller than in 1948.
4. Realized net income of farm operators will be down more than cash receipts but this decline will be offset in part by lower rural living costs.

The figures that measure business activity reveal widespread declines in recent months.

Industrial production has declined about 5 percent from the postwar peak of last November. Unemployment has risen to almost 3.2 million, but the 57.6 million persons employed in March was slightly above a year earlier.

Salaries and wages have eased off slightly. Consumer expenditures tapered off in late 1948 and probably made their first postwar decline in the first quarter of 1949. Spending by business for plant and equipment probably was down more than seasonally the first three months of this year.

Farmers' prices began to decline earlier and have dropped farther than those for most other commodities. The index of prices received by farmers in March was down 15 percent from peak reached in January 1948. Barring a severe drought, the postwar peak in farmers' prices has been passed.

Prices paid by farmers including interest and taxes reached a peak in January 1948, changed little the first nine months of the year, have since dropped 2 percent.

The BLS index of wholesale prices for all commodities has dropped 6.9 percent from the peak of last August. During this period, wholesale prices of farm products are down 12 percent and food down 16 percent. All other products, as a group, have declined little but recently there have been sharp drops in hides, steel scrap, and some non-ferrous metals. Seasonal upturn in building this spring will add some strength to the prices of construction materials.

Retail prices have changed little. The BLS index of urban consumer prices hit a peak last September; had declined less than 3 percent by February. The drop was almost entirely due to lower prices for food.

Price trends during the last 15 months reflect the leveling off of economic activity and the easing of inflationary pressures. The tremendous demand for most types of consumer goods seems to be slackening. Backlog demands that carried over from the war years have largely disappeared. Recently, savings by consumers have increased. It all adds up to the likelihood of further declines in industrial production, prices, and consumer incomes.

This would mean a weaker demand for farm products than in 1948. Furthermore, prospects early this spring indicated that 1949 agricultural production again will be large unless we have a drought. The carry-over from 1948 production is the biggest since the end of the war. Weaker demand and large supplies are likely to mean some further declines in prices of farm products.

A sharp, overall decline is not expected, however. Support prices will be near last year's levels for the basic crops. Livestock prices already have made a substantial drop and are now more in line with usual relationships with consumer income.

Foreign takings of U. S. farm products probably will continue large.

A sharp drop in the general level of economic activity does not seem to be in the picture. Despite some declines, outlays by business for new plant and equipment and private spending for housing will continue large. Federal, State and local governments are likely to spend more than last year. Consumer incomes are likely to continue to support larger consumer spending than in any year before 1948.

LIVESTOCK AND MEAT Meat production soon will increase seasonally, probably at a faster rate than last year. Consumption per person through the rest of 1949 is expected to be slightly greater than in 1948.

Prices of nearly all kinds of meat animals have risen since the early February drop. Price changes during the rest of the year are likely to be moderate.

DAIRY PRODUCTS Milk production is running higher than a year earlier. Most of the increase over 1948 has gone into manufactured dairy products. Production of cheese and butter in February was a fourth above a year earlier.

Prices of milk for fluid use have declined slightly each month since reaching the record of \$5.32 per 100 pounds last September.

POULTRY AND EGGS Farmers are likely to increase purchases of chicks for flock replacement more over 1948 than the 7 percent indicated by their intentions of February 1. The hatch this year will be earlier than last. More eggs were in incubators on March 1. March 1 bookings of chicks for April delivery was well above a year earlier.

Further price declines for chickens and turkeys are expected during the next few months. Broiler marketings will continue well above 1948 through June. Farm chickens will be marketed in volume earlier than last year, and, for the year, more will be marketed.

FATS AND OILS Smaller production of oil crops than last year was indicated by farmers' plans as of March 1. Average wholesale prices of 26 major fats and oils continued down in March.

FEED GRAINS Feed grain prices in 1949-50 are likely to again be near or below the loan rates if the coming growing season is average or better. With carryover very large, supplies of feed grains are likely to total smaller than in 1948 but larger than in other recent years.

WHEAT With early reports indicating a 1949-50 wheat supply that is likely to materially exceed domestic use and exports, wheat prices are likely to average below the loan for the marketing year.

Wheat production in Europe may fall below 1948, according to evidence available at this time.

FRUIT AND VEGETABLES With supplies smaller, March fruit prices averaged about a third higher than a year earlier. Slight increases are in prospect for April and May.

Prices of potatoes from the new crop are falling seasonally but may not drop as fast as last year. Planting and development of this crop has been delayed in Texas and California. The acreage of commercial potatoes for harvest in late spring and summer harvest is expected to be considerably smaller than last year.

Prices received by farmers for fresh vegetables are expected to drop more rapidly than usual in April and May. They probably will be moderately lower than in the same months of 1948.

Only slightly lower prices than in 1948 are expected for truck crops for commercial canning and freezing.

Prices of dry edible beans and peas continue at about the support levels. Little change is expected until late summer when 1949 harvest will begin.

COTTON Farmers' prices for cotton in mid-March averaged 28.74 cents per pound, slightly less than in mid-February and 3 cents below a year earlier.

Cotton exports during the first half of the current season totaled 1,884,000 bales, more than twice as much as the first six months of last season but only slightly over half of the 1935-39 average.

TOBACCO A firm demand is expected when Maryland tobacco auctions open May 10. Cigarette production, the principal outlet, continues large. Auctions for other types of 1948 crop tobacco have been completed.

